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ESTIMATES COMMITTEE
1962-63

SIXTH REPORT

(THIRD LOK SABHA)

MINISTRY OF WORKS, HOUSING AND REHABILITATION

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ESTIMATES COMMITTEE
1962-63

SIXTH REPORT

(THIRD LOK SABHA)

MINISTRY OF WORKS, HOUSING AND REHABILITATION

Action taken by Government on the recommendations contained in the Hundred and Nineteenth Report of the Estimates Committee (Second Lok Sabha)

on

ASHOKA HOTELS LTD.,
NEW DELHI

(Reports & Accounts)

LOK SABHA SECRETARIAT
NEW DELHI

December, 1962/Agrahayana, 1884 (Saka)

Price : *Rs.* 0·35 nP.

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no.6

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UTTAR PRADESH

25. Swastik Industries Works, 59, Holi Street, Meerut City (U.P.).
26. A. H. Wheeler & Company, Private Limited, 15, Englin Road, Allahabad.

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ESTIMATES COMMITTEE
(1962-63)

CHAIRMAN

1. Shri H. C. Dasappa

MEMBERS

2. Shri Joachim Alva
3. Shri D. Basumatari
4. Shri Braj Raj Singh†
5. Shri Shree Narayan Das
6. H. H. Maharaja Pratap Keshari Deo
7. Shri Govind Hari Deshpande
8. Shri Arun Chandra Guha
9. Shri S. Hansda
10. Shri Ansar Harvani
11. Shri Kanhu Charan Jena
12. Shri Anand Chandra Joshi
13. Lt. Col. H.H. Maharaja Manabendra Shah of Tehri, Garhwal
14. Shri Jashvant Mehta
15. Shri N. Sreekantan Nair
16. Shri Ananda Nambiar
17. Shri A. Nesamony
18. Shri Tika Ram Paliwal*
19. Shri Panna Lal
20. Shri Naval Prabhakar
21. Shri K. Rajaram
22. Dr. K. L. Rao
23. Shri Rameshwar Sahu
24. Shrimati Jayaben Shah
25. Shri Diwan Chand Sharma
26. Shri Vidya Charan Shukla
27. Shri Tekur Subramanyam
28. Shri G. G. Swell
29. Shri K. K. Warior
30. Shri Balkrishna Wasnik.

SECRETARIAT

Shri N. N. Mallya—*Deputy Secretary*.

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†Elected w. e. f. 15th November, 1962 *vice* late Shri B. J. Singh.

* Elected w. e. f. 18th August, 1962 *vice* Shri Shivram Rango Rane resigned.

INTRODUCTON

I, the Chairman of the Estimates Committee, having been authorised by the Committee, present this Sixth Report of the Estimates Committee on the Action taken by Government on the recommendations contained in the Hundred and Nineteenth Report of the Estimates Committee (Second Lok Sabha) on the Ministry of Works Housing and Supply—Ashoka Hotels Ltd., New Delhi.

2. The Hundred and Nineteenth Report was presented to the Lok Sabha on the 24th March, 1961. Government furnished their replies indicating the action taken on the recommendations contained in this Report on the 7th October and 23rd December, 1961. The replies were examined by the Study Group 'F' of the Estimates Committee (1962-63) at their sitting held on the 22nd August, 1962. The draft report was adopted by the Committee on the 20th December, 1962.

3. The Report has been divided into the following four Chapters·

I—Report.

II—Recommendations that have been accepted by Government.

III—Replies of Government that have been accepted by the Committee.

IV—Replies of Government that have not been accepted by the Committee.

4. An analysis of the action taken by Government on the recommendations contained in the Hundred and Nineteenth Report (Second Lok Sabha) of the Estimates Committee is given in the Appendix. It would be observed therefrom that out of 25 recommendations made in the Report, 72% have been accepted by Government, of the rest replies in respect of 12% of the rcommendations have been accepted by the Committee, while replies of Government in respect of 16% of the recommendations have not been accepted by the Committee.

NEW DELHI;

The 24th December, 1962.
The 3rd Pausa, 1884 (S).

H. C. DASAPPA,

Chairman,
Estimates Committee.

CHAPTER I

REPORT

In para 7 of their Hundred and Nineteenth Report (Second Lok Sabha) on Ashoka Hotels Ltd., the Estimates Committee had observed that there was no proper plan or estimates when the project was started in 1955 and that it was rather unusual that Government should have participated in a project placed beore them without ascertaining fully the financial implications and other details. It was further observed by the Committee in para 9 that it would have been more proper to have got the estimates worked out at least when the Government chose to take over the Hotel (in May, 1956) and to have tried to confine their expenditure within the limits of those estimates. In reply Government have stated that the project was conceived and started by agencies other than the Government who had their estimates and plans, but it was found necessary later to revise them when the Government acquired the controlling interests. Government could not then wipe out completely what had already been put up on the ground by the private promoters and there was little they could do except complete the building and the project on the lines begun by non-Government promoters.

2. *In this connection the Committee would like to point out that, as already stated in paras 5 and 7 of the Report, no detailed item-wise estimates for the project were prepared by the promoters of the Company of which Government of India was one. The figure of Rs. 2 crores was based on a 'Cube Estimate' prepared by the Architect. Even when Government acquired controlling interest in May, 1956, the estimates were not worked out. As admitted by the representatives of the Ministry in evidence the complete picture of the scheme and overall commitments thereof became progressively evident in October, 1956, as the construction proceeded. The reply now given by Government is not satisfactory as it is not quite in conformity with the information furnished earlier to the Committee.*

3. *The Committee trust that their observations made in paras 7 and 9 of the Report would be borne in mind for future guidance.*

CHAPTER II

RECOMMENDATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

Serial No. of recommendation as in the Appendix to the 119th Report	Reference to paragraph No. of the Report	Summary of Conclusions/Recommendations	Reply of the Government
(1)	(2)	(3)	(4)
1	4	It would appear that originally Government had no intention of setting up and running the hotel on their own. They participated in a project which did not materialise as visualised and Government were practically compelled to take over much larger liabilities than anticipated.	No comments. [*Ministry of WH&S O.M. No. Ent.* 4(3)/61, *dated the 7th October*, 1961].
4	10	The Committee trust that Government will examine the possibility of reducing the number of Directors on the Board of Directors of the Company.	Noted. [*Ministry of WH&S O.M. No. Ent.* 4(3)/61, *dated the 7th October*, 1961].

6	12	The Committee have every hope that there would be further improvement in the occupancy as the years go by.	The expectations are being fulfilled as revealed by the following figures:—

Average occupancy	for the	year	ending	30 Sep 57	=80
,,	,,	,,	,,	,, 30 Sep 58	=214
,,	,,	,,	half year	,, 31 Mar 59	=290
,,	,,	,,	year	,, 31 Mar 60	=305
,,	,,	,,	,,	,, 31 Mar 61	=345

[*Ministry of WH&S O.M. No. Ent.* 4(3)/61, *dated the 7th October*, 1961].

7	13	It would be desirable to take special steps to increase occupancy during the lean months from April to September. One way of doing so may be to allow a special discount on the usual tariff rates during these months. The Committee further feel that it would be useful if statistics regarding the monthly occupancy figures for all the months are appended to the Annual Reports of the Company.	During the lean season, some rooms have to be kept vacant in order to carry out the maintenance and renovation programme. The occupancy during the lean months (April to August) 1961 has indicated that even during this season the average occupancy was about 75% of the total bed capacity. Experience is that even during the lean season when the occupancy falls slightly, the Hotel continues to show profits. Nevertheless, all reasonable steps will continue to be taken to increase the occupancy of the hotel particularly during the lean months. The suggestion regarding monthly occupancy figures being appended to the annual report of the Company has been accepted and the Management is being advised accordingly. [*Ministry of WH&S O.M. No. Ent.* 4(3)/61, *dated the 7th October*, 1961].

(1)	(2)	(3)	(4)
9	17	The Committee suggest that the management may have the expenditure in the hotel analysed regularly and action taken to control undue increases.	Noted. [*Ministry of W.H.&S. O.M.No. Ent.* 4(3)/61, *dated the 7th October*, 1961].
10	19	The Committee hope that the Ashoka Hotels will ensure that depreciation is charged on the basis of life of the assets, if such rates are higher than the Income Tax rates prescribed for the purpose. Since plant and machinery in a hotel are prone to rapid wear and tear, the normal rate of depreciation is not likely to prove adequate. The Hotel Standards and Rate Structure Committee in their Report had also observed that the highest rate of depreciation should be allowed on electric motors, air-conditioning plants etc. used in hotels. The Committee trust that the management would take into account the special conditions obtaining in the hotel industry in respect of such classes of assets, when fixing their life.	The assets have been reclassified and a larger provision will henceforth be made for depreciation than was the case in the past. The Company has also decided to keep the position under constant review and if necessary to create a special reserve in case unforeseen replacements warrant the adoption of this course. [*Ministry of WH&S O.M. No. Ent.* 4(3)/61, *dated the 7th October*, 1961].
11	22(*i*)	The Committee are glad to note that during the current year the forecast is for a profit of over Rs. 20 lakhs.	The forecast of profit of Rs. 20 lakhs for the financial year ending 31st March, 1961 as was given to the Estimates Committee previously was a conservative one. The audited balance sheet shows a net profit of Rs. 25·84 lakhs during the year 1960-61.

	(ii)	It is to be seen that due to losses, no income-tax had been paid by the Company and the liability thereof will arise only after all the losses of previous years have been wiped off. Further the Company has not yet built up Reserves like General Reserve for development and expansion of its activities. The amount of losses incurred so far being substantial, it seems that it would be sometime before the Company is in a position to give a return on the capital invested. Now that the Ashoka Hotels has started making profits, the Committee trust that it will spare no pains to increase its earnings and reduce its expenses so that not only a fair return on the capital would be given after providing for adequate depreciation and reserves inclusive of provision for expansion but also to redeem in due course its capital for investment by Govt. in other fields.	Noted. [*Ministry of WH&S O.M. No. Ent.* 4(3)/61, *dated the 7th October*, 1961].
12	27	The Committee are not happy about a position where the recommendations made by the Hotel Standards and Rate Structure Committee, which was appointed by Government, are not followed in respect of the hotels owned and run by Government. The Ashoka Hotels has not been able to give yet the normal return of 8 per cent on land and buildings and 10 per cent on the capital employed in hotel keeping. It may not, however, be desirable to revise tariff rates to achieve this end for one of the objects in setting up the hotel was to	Noted. While every effort will be made to bring down the operating and other expenses, the tariff may have to be revised occasionally in view of the all round rise in prices. [*Ministry of W.H&S O.M. No. Ent.* 4(3)/61, *dated the 7th October*, 1961].

(1)	(2)	(3)	(4)
		"arrest the soaring hotel rates in Delhi". The remedy would appear to lie in reducing operating expenses by all possible economies and by strictly controlling any further increase in the capital. The Committee hope that special measures would be taken by the Management for this purpose. They would also suggest that for fixing the tariff, the various elements of cost may be first gone into and tariff worked out on the basis of the formula recommended by the Hotel Standards and Rate Structure Committee. If a lower tariff has to be fixed on considerations of market rates or other factors, it should be the constant endeavour of the Management to eliminate the difference between the rates assessed on the basis of that formula and the lower tariff fixed by bringing down their operating and other expenses.	
14	34	The Committee suggest that the adequacy of the training scheme and progammes may be continuously reviewed.	Noted. [*Ministry of W.H. &S. O.M. No. Ent.* 4(3)/61, *dated the 7th October* 1961].
15	35	The Committee feel it would have been desirable if more recruitment had been made through advertisements and Employment Exchanges.	Noted. [*Ministry of W.H.&S. O. M. No. Ent.* 4(3)/61, *dated 7th October* 1961].

16	36	The Committee do not appreciate the reasons given for not having laid down regular pay scales and terms and conditions of service for different categories of employees for more than four years. They trust these will be introduced without any more delay.	The draft Terms and Conditions have since been finalised and are likely to be introduced in the next few months. [*Ministry of W.H.&S. O.M. No. Ent.* 4(3)/61, *dated the 7th October*, 1961].
17	37	The Committee consider that the procedure adopted in making a verbal report instead of a written report by the General Manager on his return from tour from abroad was not happy. In all such cases of study tours, the submission of a written report within a reasonable time should be the invariable rule. The Committee are, however, glad to note that a report was drawn up subsequently by the General Manager copies of which were made available to them.	Noted. [*Ministry of W.H.&S. O.M. No. Ent.* 4(3)/61, *dated the 7th October*, 1961].
	39	The amount of concessions on account of board and lodging given to officers and staff in the Ashoka Hotels seems to be on the high side. The Committee consider that the proper criterion to be followed in this matter is the pattern existing in similar modern hotels.	The question is under review in connection with the finalisation of the terms and conditions of service of the staff. [*Ministry of W. H. & S. O.M. No. Ent.* 4(3)/61, *dated the 7th October*, 1961]. The concessions on account of board and lodging given to officers and staff in the Ashoka Hotels have since been rationalised and the new Terms and Conditions of service for the Hotel staff have been framed bearing in mind the views expressed by the Estimates Committee on the subject.

(1)	(2)	(3)	(4)
			Generally, the Hotel has improved considerably the terms and conditions of service of its staff. [*Ministry of W.H. & S. O.M. No. Ent.* 4(3)/61, *dated the* 17*th September*, 1962].
19	40	The Committee hope that the management would give due attention to providing adequate and better accommodation to the staff.	Noted. [*Ministry of W. H. &. S. O. M. No. Ent.* 4(3)/61, *dated the* 7*th October*, 1961].
21	43	The Committee do not feel happy that a commercial concern like Ashoka Hotels should have allowed outstanding dues to accumulate to such an extent. They recommend that special measures may be taken by the Company to liquidate the present outstandings and to prevent future accumulations.	Noted. Every possible effort is being made to keep the outstandings to the minimum. [*Ministry of W. H. & S. O.M. No. Ent.* 4(3)/61, *dated the* 7*th October*, 1961].
22	44	The Committee regret to note that the Company took four years to frame the necessary rules for reservation of accommodation.	Rules for reservation of accommodation have always been in existence. They were, however, reviewed and properly codified in the light of experience gained. Amendments may become necessary even in the future. [*Ministry of W. H. & S. O.M. No. Ent.* 4(3)/61, *dated the* 7*th October*, 1961].

23	45	In view of the large consumption of stores in the hotel (value of provision and stores alone being Rs. 5·57 lakhs during 1959-60) and as most items now directly purchased from the market would appear to be of a standardised quality, the Committee feel that, as far as possible, the Company should enter into rate contracts with leading suppliers after inviting quotations for supply of such items.	Noted. A large number of the items purchased are of standard quality and orders, therefore, are generally placed on the "Makers" directly. Orders are also placed through D.G.S.&D. on items for which the Deptt. has a running rate contract. For some other items, competitive tenders are invited annually and orders are placed on the successful tenderers. Only a few items, which are required urgently, are purchased from the market. [*Ministry of W.H.&S. O.M. No. Ent.* 4(3)/61, *dated the 7th October*, 1961].
24	47	In view of large consumption of stores in the kitchen and the need to make use of unconsumed articles, the Committee suggest that a suitable form for maintaining an account of receipts/issues of stores in the kitchen and their effective consumption may be devised in consultation with the Company's auditors without delay.	Noted. The Company is in touch with its auditors to examine whether the existing form needs further revision. [*Ministry of W.H.&S. O.M. No. Ent.* 4(3)/61, *dated the 7th October*, 1961].

CHAPTER III

REPLIES OF THE GOVERNMENT THAT HAVE BEEN ACCEPTED BY THE COMMITTEE

Serial No. of recommendation as in the Appendix to the 119th Report	Reference to paragraph No. of the Report	Summary of Conclusions/Recommendations	Reply of the Government
(1)	(2)	(3)	(4)
5	11	The Committee feel that since the construction period of the Company is now over, the existing basis of selection of the Directors requires to be changed. In the previous para they have suggested that the strength of the Board should be reduced. In this connection the Committee would invite attention to their recommendations made in their 16th, 39th and 41st Reports (First Lok Sabha) and 38th Report (Second Lok Sabha) wherein they have deprecated the increasing tendency on the part of Government to appoint Secretariat officials as members of the Corporations or	Government's decision regarding the composition of the Board of Directors of Government Companies/Corporations has been enunciated in the Statement entitled "Decisions of the Government of India on the Recommendations contained in the Report of the Krishna Menon Committee etc." which was laid on the Tables of the Lok Sabha and the Rajya Sabha on 24-11-61 and 30-11-61 respectively. In pursuance of the decisions referred to above, the Board of Directors of the Ashoka Hotels Ltd. is being reconstituted to consist of only 9 Direc-

Board of Directors of the Government Companies.

tors (including a whole time Managing Director) against the existing approved strength of twelve. Out of these 9 Directors, only three will be Government officials—one representative each from the Ministries of the W.H. & S. and Finance and the Department of Tourism.

[*Ministry of W.H.& S. O.M. No. Ent.* 4(3)/61, *dated the* 23*rd December*, 1961].

8 15 The ratio of total capital to income of the Company appears to be low. Though this ratio may differ from one hotel to another, a comparison with some leading hotels in the country would be relevant. The Committee find that during 1958-59, the ratio of total capital to income of one of the leading hotels in Bombay was 1 : 0·8. The Committee hope that the Ashoka Hotels would be able to show a much larger income in relation to its total capital in future.

The ratio of the paid-up capital to gross income and to nett profits/loss during the preceding years is given below :—

Year	Paid-up Capital	Ratio of Paid-up Capital to Gross Income	Ratio of Paid-up Capital to Nett profit/loss
1957-58	1,00,00,000	1 : ·49	1 : ·16 loss
1958-59 (period 1-10-58 to 31-3-1959)	1,00,00,000	1 : ·39 (6 months)	1 : ·02 loss
1959-60	1,50,00,000	1 : ·50	1 : ·07 profit
1960-61	1,50,00,000	1 : ·60	1 : ·17 profit

As can be seen from the above figures there is a steady rise in the ratio and it is hoped that the

(1)	(2)	(3)	(4)
			improvement will be maintained. The ratio of 1 : 0·8 mentioned in the Committee's report refers perhaps to the hotel in Bombay which was constructed decades ago when the cost of construction was much lower. [*Ministry of W.H.&S. O. M. No. Ent.* 4(3)/61, *dated the 7th October*, 1961].
25	48	It would be obviously desirable to have books in the Library. A beginning may be made with books pertaining to India's development plans, freedom movement, cultural heritage and biographies of national leaders etc. which may be procured without any appreciable expenditure. The Hotel authorities may also approach the various Ministries for complementary copies of their publications suitable for the Library.	Noted. [*Ministry of W.H.&S. O.M. No. Ent.* 4(3)/61, *dated the 7th October* 1961]. "..the Board of Directors have re-examined the question of having a regular library in the Ashoka Hotel. They are of the opinion that it would be an expensive affair to maintain and operate a library. For one, to be really worthwhile and not to invite criticism and ridicule, the library would have to be well-stocked with books, not all of which can be obtained on a complementary basis. It would then be necessary to employ librarians in shifts, to lend the books and ensure that they are returned, a not too easy job considering that the majority of the guests are fleeting passengers whose period of stay in the Hotel is measured more in terms of hours than days. The vast majority of hotels the world over, including luxury hotels, do not in any case

have libraries. The Board have, therefore, decided to use the room in the Hotel which was originally meant to be a library, as a room to hold parties and conferences, for which there is a great demand in the Hotel.

The Ministry of Works, Housing and Supply trusts that the Estimates Committee will appreciate the reasons why it will not be possible to run a library in the Ashoka Hote."

[*Ministry of W.H. & S. O.M No. Ent.* 4/(3)/61, *dated the* 30*th June,* 1962).

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CHAPTER IV

REPLIES OF GOVERNMENT THAT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE

Serial No. of recommendation as in the Appendix to the 119th Report	Reference to paragraph No. of the Report	Summary of Conclusions/ Recommendations	Reply of the Government	Comments by the Committee
(1)	(2)	(3)	(4)	(5)
2	7	There were no proper plan or estimates when the project was started in 1955. The Committee find it rather unusual that Government should have participated in a project placed before them without ascertaining fully the financial implications and other details.	The project was conceived and started by agencies other than the Govt. They had their estimates and plans, but it was found necessary later to revise them, when the Government acquired the controlling interest. [*Ministry of W.H.&S. O.M. No. Ent.*4(3)/61, *dated the 7th October*, 1961].	Please see paras 1 and 2 of Chapter I.

3	9	Even allowing for the extra expenditure due to extreme urgency of construction still it may not explain fully the difference between the normal cost of Rs. 35,000 per bed and the cost of Rs. 66,000 per bed in the case of Ashoka Hotels which is on the high side. It would have been a more proper thing to have got the estimates worked out at least when the Government chose to take the Ashoka Hotels over and to have tried to confine their expenditure within the limits of those estimates. As it is, the actuals seem to be the only estimates available.	Government could not in May 1956, when it acquired the controlling interest, wipe out completely what had already been put up on the ground by the private promoters and there was little they could do, except complete the building and the project on the lines begun by the non-Government promoters. Considering the nature of materials used, the elegance of the hotel and the space earmarked for purposes other than residential, the cost of the hotel should not compare unfavourably with luxury hotels recently constructed elsewhere in the world. [*Ministry of W.H. & S. O.M. No. Ent.* 4(3)/61, *dated the 7th October*, 1961].	Please see paras 1 and 2 of Chapter I.
13	31—33	Even allowing for some extra staff for maintenance, repair, laundry etc., the Committee feel that the hotel is over-staffed and there is scope for effecting reduction therein. Obviously the ideas expressed by the Minister of Works, Housing and Supply on the question of desirable staff strength in the	The observations of the Estimates Committee have been noted. The position with regard to the strength of staff is and will be kept under constant observation by the Management. [*Ministry of W.H. & S. O.M. No. Ent.* 4(3)/61, *dated the 7th October*, 1961]	

(1)	(2)	(3)	(4)	(5)
		Hotel, when replying to the discussion on Demands for Grants of the Ministry of Works, Housing and Supply on 31-3-58, have not been put into effect by the management of the hotel. The Committee trust that the Government will take immediate steps to bring down the staff strength to the desired level.	The Management of the Hotel is very vigilant about the strength of its staff. Even with its present staff, it finds that it is paying a considerable amount of money as over-time wages. If the strength of the staff is reduced, the over-time bill will correspondingly increase. A reduction in strength, in order to bring down the ratio of staff to beds in line with private hotels in India and in the West, where conditions are not comparable, particularly in the context of the Hotel's present increasing business, may not be desirable. It may not only lower the existing standard of service but may also impair the present cordial management-worker relations in the Hotel. The ratio of staff to beds in the Ashoka Hotel has, however, shown a slight downward trend and is now 2·97 . 1. (*Ministry of W. H. & S. O.M. No. Ent.* 4(3)/61, *dated the* 17*th September*, 1962.]	The Committee are not quite convinced by Government's reply. They hope that every effort will be made to reduce the staff strength and to bring down the ratio of staff to beds.

20	41	The Committee regret that though the Hotels had been set up recently, sufficient care and attention could not be bestowed on the instalment of upto-date plant and machinery.	The present items of Plant and Machinery were installed in accordance with the recommendations of technical experts in the context of not increasing capital expenditure any more than was absolutely essential. A phased replacement programme will be taken in hand, as soon as the funds permit. [*Ministry of W.H.&S. O.M. No. Int.4(3)/61, dated the 7th October, 1961*].	The explanation given is not convincing. The Committee cannot appreciate that the recommendation ought to be kept in view in future.

NEW DELHI;
the 24th December, 1962.
3rd Pausa, 1884 (Saka).

H. C. DASAPPA,
Chairman,
Estimates Committee.

APPENDIX

(*Vide* Introduction)

Analysis of the action taken by Government on the recommendations contained in the 119th Report of the Estimates Committee (Second Lok Sabha)

1.	Total Number of Recommendations made	25
2.	Recommendations that have been accepted by Government (*Vide* recommendations Nos. 1, 4, 6, 7, 9, 10, 11, 12, 14, 15, 16, 17, 18, 19, 21, 22, 23 and 24 referred to in Chapter II):	
	Number	18
	Percentage to total	72%
3.	Recommendations not accepted by Government but replies in respect of which have been accepted by the Committee (*Vide* recommendations Nos. 5, 8 and 25 referred to in Chapter III):	
	Number	3
	Percentage to total	12%
4.	Recommendations in respect of which replies of Government have not been accepted by the Committee (*Vide* recommendations Nos. 2, 3, 13 and 20 referred to in Chapter IV):	
	Number	4
	Percentage to total	16%

GMGIPD—LS I—2199 (Aii) LS—28-12-62—500.